Divergence in the Assessment of NPAs of Banks

2977. SHRI DIPANKAR MUKHERJEE: Will the Minister of FINANCE be pleased to state:

(a) whether there are divergence in the assessment of Non-performing Assets of Banks in India, made by the Banks Statutory Auditors and the Reserve Bank of India;

(b) if so, what is the total quantum of Non-Performing Assets in India, as of now, as assessed divergently by the Banks, Statutory Auditors and the Reserve Bank of India; and

(c) what steps have been taken to tackle the divergence in the assessment?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) Reserve Bank of India (RBI) has reported that occasionally there is divergence in the assessment of non-performing assets (NPAs) between its Inspecting Officers, Statutory Auditors and the banks, mainly due to difference in perceptions.

(b) RBI had constituted a Working Group in March, 2000 to broadly examine the causes for divergence in asset classification and make suitable recommendations to narrow this down. The Working Group, which has since submitted its recommendations, has stated in its Report that the quantum of NPAs as assessed by the Inspecting Officers of RBI for 1998-99 was higher than reported by banks, by Rs. 3,313 crore.

(c) RBI has issued detailed instructions to the banks on 14th June, 2001, clarifying various issues which led to divergent assessment of NPAs.